Bank of England

Inflation Report Q&A
3 November 2016

Noreena Hertz, ITV News: Governor, in the Report it makes clear that you expect prices for fuel, food and clothing to go up significantly, mainly due to the exchange rate and the import effect.

For how long do you feel that the British public should tolerate these rising prices before you act, and by act I'm really saying - before you increase interest rates?

Mark Carney: Well, the judgement of the MPC has been that the degree of accommodation that is currently being provided is appropriate. It's appropriate because of the pressures that are weighing down on activity and it's appropriate because of the forces that are causing inflation to rise and rise above that 2% target.

The reason that inflation is above target - or will be above target, in our judgement at years two and three, is because of the exchange rate. The reason the exchange rate has moved - the predominant reason why the exchange rate has moved, in our judgement - is judgements that have been made in financial markets about the future of the real economy, not of the stance of monetary policy - how open this economy will be, what our trading relationships will be, how productivity will evolve over the next few years.

We can't influence those perceptions in markets again, I'll emphasise they're perceptions in markets. It's still early days in this process. The negotiations haven't even yet begun, so we don't know exactly what the arrangements are going to be, nor do markets - they're making a judgement around them.

But we can't influence those real factors. We have to take into account their impact on inflation. And the judgement, as I said, and as we say in the Report, that we've had to make is - do we fully lean against them and cause much higher joblessness and much lower wages for those who have jobs?

Or do we accommodate some of that overshoot, given that it's caused by a real effect? And that's the judgement that the MPC has taken.

Kamal Ahmed, BBC: Governor, you have - the Monetary Policy Committee has upgraded growth for this year, upgraded growth for next year, but has actually downgraded growth for 2018. So, could you give us your judgement about whether this is economic pain delayed or economic pain cancelled? And could you give us as well just your initial reaction to the court judgement on Article 50 and parliamentary sovereignty? Does this simply increase the uncertainty around Britain's exit from the European Union, which you say is one of the most significant issues in terms of the economic future for the UK?

Mark Carney: Well, maybe I'll start with the second, which is - obviously I'm not qualified to comment on the court judgement or the prospects here, but it is an example of the uncertainty that will characterise this process. As I said to the previous question, the negotiations themselves haven't even yet begun. There will be uncertainty, there will be volatility around those negotiations as they proceed, and I would just view this as one of the symptoms - one example of that uncertainty.

And what we have in the Report - if I can move to your first question and our forecast - is that that uncertainty does bear down on business investment; that that effect builds with time; that lower business investment has consequences for employment ultimately; it has consequences for productivity, although, if I can just parenthetically mention that we do see productivity growth picking up over course of the forecast.

Where we see the bigger adjustment is with households in that we see very modest real income growth over the course of next year and into 2018, because of the combination of weaker overall activity and the increase in inflation.

Chris Giles, Financial Times: Governor, the downgrade in the forecast towards the end of the forecast horizon is essentially driven by the assumption that we're going to get a harder Brexit than you thought in August. The Prime Minister hasn't said that, no one's said that. Isn't this a bit presumptuous of officials to make that call, and doesn't this mean you're just covering your back for forecasts you got wrong in August?

Mark Carney: Well, thanks for the question. This is an important issue, obviously. We have not changed our assumption of what type of Brexit the UK will have. And I think we should recognise that, for the way we run our forecast, that assumption is relevant offstage. So much longer than the forecast horizon - it's a medium to long term assumption.

And we have basically taken a weighted average of various outcomes - potential outcomes. We used the same one as we used in August. So, we haven't changed that.

So why is supply basically in the same place? And I'd emphasise that. The overall level of activity ends up roughly the same level - a little stronger earlier, as per the previous question; weaker growth later on, but the level of GDP is basically the same. It's -.2 lower, but basically in the same place.

And the overall level of supply is consistent with that. What we have is a slightly larger output gap at that point, at the end of the forecast. We have a slightly faster adjustment; we have more supply early in the forecast, stronger growth in the short term - and some of that, our view is supply in the economy - and a slightly faster adjustment over the balance of the forecast, which ends us up in basically the same place, on a path to exactly the same place as we'd assumed in August.

So again, just to hammer the point - we haven't changed our assumption about what type of Brexit we're going to have at all. And it would be - I don't know if it's presumptuous or just - it's far too soon to make that judgement, I agree. As I said, the negotiations haven't even yet begun and it's all to play for.

The reason we have - and I'll finish with this - the reason we have a slightly faster adjustment to that end state is that of course we've been out talking to businesses and particularly those businesses that have large exposures to the European Union. And we're more informed, as you would expect - not fully informed - but more informed than we were in August - about the relative pace of adjustment for those businesses. And that has helped inform our assumptions on how things move.

Last point I'll make, which is that financial markets, as you appreciate, have made a much bigger revision to their views of the type of Brexit or the degree of openness that this economy will have, and its consequences for supply and growth than certainly we have. We've made this modest adjustment just on the transition. And those are judgements in financial markets; they're not based on actual facts because, again, this process has not really yet begun.

Larry Elliott, The Guardian: Back in August the MPC was signalling that there would be further easing of policy before the end of the year. You've now said that guidance has expired. You've said there's a limit to the amount of inflation you're prepared to tolerate.

Is the message here one to the Chancellor, which is - we're done here, Chancellor for the time being, over to you?

Mark Carney: No, the message is - to be absolutely clear in terms of fiscal policy - as we've said many times and it will always remain true - we take fiscal policy as given and then we optimise around fiscal policy. Monetary policy can react much more quickly than the fiscal side. That's the first point.

The second is that our stance of policy will be a product of what happens to supply, demand and the exchange rate. We would include inflation expectations in that determination as well. And we will learn about that as we go, and it's the balance of those that determine whether or not additional easing or some other - or potentially tightening - would be appropriate. What's happened between now and August is that demand has been stronger. We haven't learnt much about supply; we end up in roughly the same place on supply as per my answer just to Chris. And we have higher inflation overshoot because of the bigger exchange rate move.

The balance of that leaves the MPC in a position where we've decided that the stance of policy at present is appropriate and that we have a neutral bias around policy going forward.

Phil Aldrick, The Times: Governor, gilt yields have risen significantly since the August package and corporate bond yields have also shot up, so I just wondered if you feel that your stimulus has failed in the face of more powerful political forces and whether monetary policy as a whole has shot its bolt?

Mark Carney: On the second point, no, we have - we retain many options. If it were appropriate, if it were to become appropriate to provide additional stimulus, we retain options. We can cut Bank Rate further; we could do additional asset purchases in a range of assets, if that were appropriate - I'm not signalling that it is appropriate, but we have options and we can provide that stimulus. And the stimulus that we provided in August does mean that financial conditions - or it has helped contribute to financial conditions which, on the whole, are still more stimulative than they were prior to the package.

The reason for - there's two elements - well, there's more than two, but I would signal two elements to the shift in gilt yields. First is changes to inflation compensation. We reference in the Report, and I did in my opening remarks, that returning to historic averages, it is something we're monitoring closely. And secondly, you know, improved near term growth prospects. So overall, the balance is appropriate.

Geoff Cutmore, CNBC: I'm surprised that nobody has raised the issue about your future. I know you've attempted to draw a line under the speculation with the announcement earlier this week. But for a while your presence at the Bank became the story, rather than the Bank's policy. So in the light of that, can I ask you - does something need to change about the way the Bank and the government work hand in fist, the way that the Governor and the Chancellor need to communicate?

And secondly, could you be encouraged to stay for a couple more years and fulfil the full term if things are going well in 2019?

Mark Carney: No, I think we should - I think we've all had enough of that saga, so let's not reopen it with the second part of your question.

In terms of the framework here, the framework - this is an outstanding framework for the conduct not just of monetary policy but broader macroprudential policy and microprudential supervision. Clear, delegated authority to technocrats effectively, but those with an accountability mechanism, tested via the parliament, accountability to yourselves, the British people, through the media, through what we produce. And being held to account: being held to account for a forecast, being held to account for our outcomes.

And so I don't think the framework needs to change. I think it works quite well, and I think further that over the course of the last year, with the 2016 Bank of England Act and, if you will, the equalisation of the governance of the three Committees - of the FPC, the PRA and the MPC - in both the way they receive remits, the format of their accountability and their degrees of transparency, and encouraging them to work as closely together as possible - all of that builds on the strengths of this system.

Ed Conway, Sky News: Governor, in August the Bank made the biggest cut to its GDP forecast in any Inflation Report previously. This time it's the biggest rise to the GDP forecast in any previous Inflation Report. You're looking at me quizzically -

Ben Broadbent: You're not comparing like with like. You're talking about the cut to GDP in August over a three-year period. We haven't changed -

Ed Conway, Sky News: Actually, I was talking about 2017, for what it's worth. But my question is more generalities -

Ben Broadbent: It's not true that it was the biggest cut -

Ed Conway, Sky News: Okay. It was big, though. These are big changes to the forecast. Surely we can agree on that. And my question is just a more general one. Do you feel that big changes for forecasts, do they reasonably undermine the credibility of an institution like the Bank of England? Should we care or are people getting a little bit over enervated by changes like that?

Mark Carney: I think the first thing is that there was a big change, and there will be big changes as a consequence of the decision of the British people to leave the European Union. And it has short term implications over the next three years, we think, for the path of growth. That is not to make a judgement about the medium term, longer term implications and the benefits to prosperity that can come from resetting our relationship with Europe and building new relationships abroad. And we only are making the judgement over the forecast horizon.

We have taken - in August we did take a big judgement in terms of the implications. Broad brush, where this economy ends up two and a half, three years from now. We think that's right. That's what this forecast says; we end up basically in the same place as the economy. After a substantial stimulus package from the Bank of England and from stimulus from a fairly sharp depreciation in the currency. So broad brush, that's there.

In terms of the near-term momentum in the economy, it has been higher. That's absolutely welcome. Long may it last. But we do see, even in the short term, some deceleration, and a deceleration into 2017. And we've explained the dynamics of why we see that.

So, should people care about the forecast? I mean obviously those who watch the Bank closely, yes, they should care about the forecast. It's entirely right that we're challenged on what we got wrong and accept what we got right. And why - I think the most important is why. Because that tells us about how the economy is functioning.

And if I can just end with this - Ben, you may want to supplement, but just to end is that - it tells us that consumers are being more adaptive, because what they see is a job market that's still pretty strong, their wages are growing at the same rate, credit's cheap, it's competitive, it's available. Makes sense; entirely rational.

Financial markets have pulled forward a lot of the adjustment, particularly in the currency market, but also in equity. And businesses are somewhere in between. And we have a fair bit of intelligence of why businesses are somewhere in between, in terms of their preparations but also their degree of uncertainty about where this may end up, because - as I've said a few times - it hasn't yet begun and there are quite a range of outcomes that could potentially be there. But, Ben -

Ben Broadbent: No, I mean I might talk in a moment just about the near-term forecast and how that evolved and the distinction between forecasting the very near term further out. All forecasts change as new information comes in, indeed every time the price of an asset changes someone's forecast changes, or if you like the previous forecast was wrong because asset prices embody expectations of the future. So, these things always change over time.

Now in August, as always, we based the very near-term forecast - and we do them in a slightly different way than those further out. So, the medium-term forecast - and this is true of any economic forecast - are based more on economic models, judgements about the forces - underlying forces hitting the economy. In the very near term, you rely relatively more on statistical models that link contemporaneous survey measures of output with what official estimates are. And as you know in July those all fell precipitously.

And we were aware that when you get a big event like this, the surveys themselves can be very volatile and their relationship with official estimates of output can also be less reliable. So, we aimed off those very significantly for our best guess at what third quarter growth would be. And indeed, as it happened we aimed off by more than most other forecasters. So, most forecasters, and therefore the average of forecasts, was for a contraction in output in the third quarter which we did not expect.

In the event the surveys were volatile, they did bounce back. And not only that, but the official estimates of growth for the third quarter were higher even than the new higher surveys indicated.

But as the Governor said, the important thing I think is to learn, not only about those relationships - you know, do we have new estimates now for those relationships between surveys and growth? - But also more importantly what the news about growth tells us about the medium term. And that is the judgement that we've been trying to make in this Inflation Report.

Ben Chu, The Independent: You say that the framework, the way the Government works with the Bank of England doesn't need to change, but what about the political discourse about the way the Bank does what it does? You've had William Hague a very senior former member of the Government, saying that central bankers, presumably you included, have lost the plot. You've had some very personal attacks on you as Governor from senior Tory MPs - or some Tory MPs. Is all that fair comment? In a democracy, people are entitled to their opinion, entitled to say that thing. Or does that kind of sniping itself undermine the independence of the Central Bank and would you say a period of silence on the part of your critics would be welcome?

Mark Carney: It’s a trap. In a democracy obviously people express their opinion and there’s always going to be a wide range of opinions and what’s important is that the MPC recognises both its responsibilities and the limits of our responsibilities. That we clearly explain our actions and we’re held to account for these actions. I don’t think it’s that much more complicated than that, and we have a variety of mechanisms in order to do that and this event, the Inflation Report, releasing the minutes at exactly the same time so everyone has all the information, answering these questions and then go in a few weeks to testify in front of the TSC, that's all part of that accountability mechanism. And having a robust set of questions and challenges about the forecast, the stance of policy, is it right, all in the pursuit of not just getting inflation to 2%, but getting it there, keeping it there - but getting in there in the right way. And recognising, I think, as part - and one thing we would like to have come out of these debates and these sessions is - we are in exceptional circumstances.

I think it's partly stating the obvious, but under our remit in exceptional circumstances when we have - we are compelled by Parliament to look at the trade-off between inflation, the speed with which we get inflation back to target and the impact on activity and jobs.

And there are limits to how far we can move that trade-off and those limits are a function of what's causing inflation to move, what real effects are there in the economy, where inflation expectations are, how much slack there is in the economy and how responsibly can we balance it. And so we want to have that debate about both the scale of the trade-off and how we are managing it because that improves understandings and outcomes. So, that can be as vigorous as people want. That is the plot by the way.

Jill Ward, Bloomberg News: Governor, how far and how fast would the pound have to fall to make you worried and would you rule out currency intervention in that sort of situation? Thanks.

Mark Carney: We don't target the exchange rate, we target inflation, we target getting inflation back to target in the manner I just responded. That's not to say that we're indifferent to the exchange rate, you know it's an important relative price, it has impacts on inflation, but we care about why it moves and what - and the combination of the exchange rate, other factors that are driving the economy and inflation in order to determine the stance of monetary policy to achieve that inflation target.

Simon Vigar, 5 News: Okay forecasts are forecasts, but a lot of people are going to be worried by the inflation forecast. What's your message to people who are just about making ends meet right now?

Mark Carney: Well, look we expect inflation to go up and we expect inflation to go up and to be a bit above 2% over the balance of the next couple of years. That puts us into a positon of making a challenging judgement about how quickly we bring that inflation back to target at a time when the economy is undergoing - or just starting to undergo a pretty big transition. And our judgement is that we have the right degree of monetary stimulus for the economy to ensure that during this period where inflation is a little higher, more people are in work, fewer people lose their jobs - the same thing said differently - and that wage growth is as strong as it could be in those circumstances.

And let's also remember though what this forecast says, which is that growth of 1.4% next year, picking up to 1.5, 1.6% in the subsequent two years, so there's growth. It's not as robust as it has been, but this is a forecast with growth, with some increase in unemployment but relative to other challenging times, a quite modest level of unemployment. And it is a forecast that also sees by the end wage growth going up to just around 4%. So, this isn't - there's a difficult period here, but I think it does need to be put into context.

Jason Douglas, Wall St Journal: Can I just come back to this issue of uncertainty, you've talked about it quite a bit already this morning, but one of the judgement in the Inflation Report is that the MPC assumes uncertainty actually rises somewhat less than they did in August and that in turn feeds through into your projections for business investment and so on. What is it - it's not obviously necessarily what is less uncertain about the UK's future ties to the EU than it was in the summer, so what is it that has changed, or is it perhaps that you think people are less sensitive to uncertainty than you maybe thought before?

Mark Carney: I'll do the first bit and then Ben can supplement. What we've seen with consumers is that there hasn't been a bit uncertainty effect. I mean it's almost discernible by its absence. And so we're not assuming that that reasserts itself, that's the first point.

In terms of business, broad brush, yes the uncertainty effect has been there. It's hard obviously to have real time and we don't have real time estimates of business investment and the actual hard data on investment is notoriously prone to revision. But in terms of surveys and our company visits, what we see is that up to around half of UK companies are taking into account the uncertainty about the future relationship with Europe and it's having some influence on their investment - some influence on their investment.

What we see in terms of the - so it's more about the mapping of a level of uncertainty to the decisions that households and businesses are taking where we've made adjustment. There is some adjustment to the profile of uncertainty, Ben, but I wouldn't hang on that.

Ben Broadbent: I don't think it's true that we've lowered it; we've changed slightly the profile and we have less of a spike and then fall away in the near term which characterised the profile in August. And actually in this Report we think it persists for a little longer and we've learnt something about the timetabling of Article 50 in that respect. So, I wouldn’t describe it as a lower profile throughout the forecast, just the shape of it is slightly different, but actually further out it's a little higher and that's one of the things contributing to weaker investment growth.

Tim Wallace, Daily Telegraph: Governor, given your letter on Monday that you wrote to the Chancellor, if Britain hasn't left the EU by the middle of 2019 for whatever reason would you still consider staying on for longer as Governor to see that process out?

Mark Carney: I mean, I'll just refer back to my answer to Geoff, I think we've had enough of that saga. And you know, the government has indicated that they're going to appeal this ruling, the Prime Minister's statement this morning - or the government statement that the judicial process is not inconsistent with the Article 50 by the end of March. I would put this into the camp - I wouldn't bring it back to the economics - of there are going to be a series of events through this process of triggering Article 50, the negotiations during the Article 50 process and potentially a transition process beyond, there will be a series of events which will feedback into uncertainty.

And to go to the profile of uncertainty in the forecast, I think one thing is we, on reflection, have realised that we expect that - not a sort of spike around - I mean yes a spike around the actual triggering and the initial start of this, but that the level of uncertainty probably doesn't tail away as quickly over that period because in any negotiation, you know, often everything doesn't come together until relatively late in the process and that's a natural process, particularly for something as complex as this.

So, those effects will be there in the economy and what monetary policy is trying to do is to offset, lean against some of those effects and support the economy during that period of time.

Helia Ibrahimi, Channel 4 News: Governor, you said that the court ruling today was an example of the uncertainty of the Brexit process, but how do you make policy in such circumstances? And even if you put your own position and we draw a line under it, is the politics of Brexit too difficult for the Bank to manoeuvre and is it just going to get worse from here on in?

Mark Carney: No, I mean the people of the United Kingdom have voted to leave the European Union. That is the policy of the government. There is a process that has just started in order for that to be fulfilled. There will be a lot of uncertainty and volatility throughout that process. Then we come in.

We take into account that prospective - actual and prospective uncertainty and how it's likely to affect businesses and housing market and consumers, British households, and then try to calibrate policy against that. I would say that since June - even in the run up to June 23rd we were a bit informed, we learnt a bit about how people reacted. In the subsequent six months, we've learnt more and some of the refinements in this projection reflect that. The difference between consumers and businesses is a little more marked. And so we set policy.

We don't have the luxury of stepping back and ignoring these effects; we have to make decisions. We made a decision today that the stance of policy was right and we made a decision today to let the contingent guidance expire. I might just note sort of parenthetically that that guidance worked because it was contingent, people understood the contingency both in markets and yourselves in terms of how you wrote about it. And as you saw, the economy performed better than our forecast. That guidance felt the way so it's not a big surprise that it expired but it still was a decision for the MPC to take.

So, we can deal with it, but we'll be transparent as possible about what our assumptions are, how it's mapping to the economy and then the accountability after the fact to say - okay, what happened in intervening periods between forecasts, what turned out broadly as we expected, what didn't and where do we go from here?

Hugo Duncan, Daily Mail: Governor, on that guidance that has now expired, given it has expired are you able to say whether the next move in interest rate is more likely to be up or down?

Mark Carney: Well it was hopefully about as clear as it could be that you can envisage scenarios where it goes either way. We don't have a bias in terms of direction of where the next move will be. Again, we're in a period of a fair bit of uncertainty. You can envision scenarios where either direction would be merited. And where we're going to be anchored is around the inflation target and making sure that we get that trade off right.

What should be clear is that we think unanimously as the MPC that the current stance of policy is right, and it's right for the economy - even an economy that's facing the headwinds that come from uncertainty.

Holly Williams, Press Association: How much of the growth upgrades would you say are down to the Bank's actions in August?

And secondly, would you say that you feel under political pressure when making monetary policy decisions after Theresa May's bad side effects comments?

Mark Carney: I'll answer the second bit and I'll let Ben answer the first bit. No, we don't feel under any pressure from the government, certainly none from the Prime Minister. I think the Prime Minister fully supports and the government fully supports the monetary policy framework we have in place, and in that framework, we take those decisions. How rapidly those decisions flow through to activity, you get some influence, but it really builds with time. So we wouldn't say that, the short-term revision is the gift of Dr Broadbent.

Ben Broadbent: No, I think that's right. I mean the peak effect of policy on output might be three, four quarters. It is true that some interest rates moved by a little more than we'd expected after the policy package was announced and those will have had some impact on retail interest rates, and one hopes consumer sentiment as well which is part of the way they work. But most of the effect of these things comes through over longer periods of time than that.

Harry Daniels, Live Squawk News: Following your meeting with the Chancellor and did it in any way colour the MPC's decisions or guidelines today and should the government come through at the Autumn Statement and beyond in supporting growth? Is there a chance that some of the action that you took back in August as the emergency measure will be curtailed early, i.e. QE? Is there a chance that might be tapered earlier than usual?

Mark Carney: Sorry, I'm not sure which meeting with the Chancellor to which you're referring, but I can answer it in general which is that I meet with the Chancellor relatively frequently and obviously we discuss the economic outlook and for understanding the stance of actual policy we'll respond to fiscal policy if we need to when it changes. We take the current fiscal policy as given and that's what's in the forecast so there's nothing to be read into the forecast about the potential future stance of fiscal policy in the country, that will be revealed in due course.

And sorry the second part of the …?

Harry Daniels, Live squawk News: About previous measures like QE?

Mark Carney: I mean, we have to decide the stance of policy at each meeting. In general, one has an asset purchase programme and that decision tends to flow through to its fruition.

Minouche probably - why don't you say a word about where we are in terms of the purchases just to provide some detail?

Minouche Shafik: Yes, I mean along with the information you got today there was a market notice which explained our plans for the remainder of the QE programme. We've purchased £30bn; we also purchased an additional £12bn because we had a reinvestment to maintain the stock. Our intention based on the MPC's decision is to continue to complete that purchase with another £30bn over the next few months. We also have one more reinvestment which we'll announce in February.

So the plan is to continue to implement the current decision and the stock will be £435bn going forward until the MPC decides otherwise.

Gemma Tetlow, Financial Times: You've been very clear that you haven't changed your view about the long-term impact of Brexit on the UK economy, but we've continued to see consumers carrying on spending over the last few months. You politely refer to this as adaptive behaviour but isn't what you're really saying that consumers are being rather short-sighted and a bit stupid not realising quite how difficult things are going to get for them next year and beyond?

Mark Carney: Not at all, not at all. Consumers - they have jobs, they're being paid, they're consuming out of income and this isn't you know debt fuelled consumption and making hay while the sun shines. So, this is rational - rational behaviour.

What we see is - what we're drawing attention to is the difference between the views of financial markets, in particular the foreign exchange market and the underlying demand in the economy. And that helps set up a more challenging trade-off because the scale of the exchange rate move, the speed and persistence of pass through is what causes inflation to be above target at the forecast horizon, or at the policy horizon to be more specific. And so we have to make a judgement about what to do about that.

Charlotte Lomas, Sky News: I just want to ask - a lot of people look to the Bank to make decisions on the way they spend or their mortgage decisions. In light that you got so many of your forecasts wrong three months ago, do you think that this then undermines the credibility of the Bank, or undermines the trust that people should have in you when they look to the Bank to make those decisions?

Mark Carney: Well, in terms of the forecast, in the near term we have more momentum in the economy and growth is going to be stronger by the end of the year. That's welcome news and we explained the reasons behind that. In terms of the horizon over which to make a mortgage decision, to buy a house, we see the economy ending up in exactly the same place today. So, you know - and in terms of the positon that households are in, if they were to make a decision to purchase a property, borrowing costs are cheaper. And borrowing costs are cheaper because we think we need that in an environment of uncertainty and other factors that are weighing down on activity so that more people are in work and that nominal wages are higher, all things being equal, to support activity. So, no we don't - I think that enhances credibility.

Jenny Scott: Is there anyone who hasn't had a question yet who would like one before I go around again. Phil's looking hopeful.

Mark Carney: I was going to say is there anyone who is not Phil Aldrick who has a question.

Phil Aldrick, The Times: NIESER this week said that inflation could hit 4% by the end of next year, yeah the end of next year, and you've talked about - there are limits to the amount of inflation you'll tolerate, so I just wondered if 4% would be tolerable, or if you have any idea of what level of tolerance you would have?

Mark Carney: Well, it's not going to surprise you that we're not going to give a point figure to that question, but it does allow us to kind of underscore that the limit, if you will, is a product - there's no one limit it's a product of what's actually causing the overshoot. So, a world in which future supply is going to be lower and real incomes have to adjust and the combination of that plus what it does to the exchange rate relative to demand, leads to an overshoot is one in which we are clearly willing to tolerate some overshoot of inflation at the policy horizon. Because we're making a decision about how to take that real income adjustment whether it's through higher inflation or lower nominal wages and higher unemployment. And clearly we're within the limit right now because we are providing stimulus by maintaining the August package. But Ben, do you - ?

Ben Broadbent: No, I don't think. So, I think some forecasters I should say, with respect to that particularly forecast, seem to have estimated that the exchange rate effect will come through somewhat faster than we think. And for the same reason actually many forecasters have inflation falling away faster than we do, which would make it ironically less relevant for policy actually. If it passes through very quickly, there's not much that policy can do about it either way.

But as the Governor said, you really have to understand why we're getting this overshoot, what else is going on, and that's what governs this trade-off we are asked to make. So there is no single number to define that limit.

Jenny Scott: Okay, I think if anyone who hasn't asked a question doesn't have one then I think we're done. Thanks very much.

END